

The following are excerpts from the 5/13/10 CAP meeting discussion on these issues as reflected in the minutes (available on our website <http://planning.lacounty.gov/baldwinhills>)

**Insurance** – Concern was expressed regarding PXP self-insuring its liability and the specified policy limitations given that clean up in other areas is costing significantly more than the amounts listed in the policy. The insurance provides additional financial protections while the Operator has active operations on the field. Policy limitations indicate the maximum obligation assumed by the insurance company and do not constitute a release from further liability. Among the insurance coverage types required, the Operator sought to self-insure (as provided in section G.4 of the CSD) the Environmental / Pollution Liability portion. The Chief Executive Office investigated to their satisfaction the Operator's ability to self-insure.

**Performance Bond** – Some felt that the 120 day notice by the bond company to withdraw from their obligation was not enough time. This stipulation in the bond requires that the bond holder must provide written notice to both the County and PXP of its intent to withdraw from the bond. A replacement bond would have to be in place or PXP would be operating in violation of the CSD and subject to enforcement.

Concern was expressed that the \$5MM bond would be inadequate to "clean up" the site if PXP were to be unable to fulfill its obligations. The performance bond is in place to ensure that obligations related to well abandonment, site restoration and environmental cleanup can still be met should the Operator become unable to faithfully perform as agreed. Because it is a requirement of and held by the County, it could only be applied to the areas of well abandonment, site restoration and environmental cleanup that fall within the County's purview. The County has no jurisdiction with regard to the ordering or selection of wells for abandonment or any of the abandonment activities in the subsurface portion of a well. DOGGR maintains separate bonding requirements for these activities.

Future uses of the privately owned field are not contemplated in the CSD beyond ensuring safe oil field operations and therefore site restoration as it would apply to the bond would be limited to such activities that are required to stabilize the site as indicated in the evaluation provided by MRS (Included in 5/13/10 handout). Examples include things like the removal of leftover equipment, the completion of the soil remediation program, and incidental grading or vegetating of well pads required to prevent erosion.